THE INDUSTRIAL SITUATION IN GREAT BRITAIN: FROM THE ARMISTICE TO THE BEGINNING OF 1921

The world war demanded of Great Britain every ounce of economic and military force she possessed. Since its close in November, 1918, the government has had to grapple with an uninterrupted succession of political difficulties; one of which, at least, Ireland, has been of the most serious nature. Her post-war industrial problem has not been the simple one of converting productive equipment from production for war consumption to production for peace. A great army had to be reabsorbed into industrial life. Without breathing time, many of her important industries have been forced to recognize and attempt to satisfy the clearly formulated demand of the organized workers for a new industrial status and new powers of control. There have been at least three serious strikes, one on the railways, one in the coal mines, one in the steel industry.

The major industries, always export industries, have been producing for sale in a world a large part of which is economically disrupted and struggling. Certain sources of raw material have been practically closed, as in the case of Russia. Some of the most profitable pre-war markets, badly as they needed the products of British industry, have not been able to purchase these products, as in the case of Germany. The wide price fluctuation—in part, the result of the breakdown of European monetary systems—has made trade unusually hazardous; the wide fluctuation of the foreign exchanges is another cause of uncertainty and risk. These are but some of the difficulties British industry and the British exchequer have been compelled to reckon with since the end of the war. The present situation is compounded of them.

Production since the armistice.

The best approach to a general study of the British industrial position since the armistice is through a study of the figures of production as compared with pre-war production.

We may first turn to agriculture to see whether the war with its emphasis on national self-sufficiency has led to any permanent change in the agricultural position.

It is plain that there has been no radical change. Under the guaranteed price there was some extension of wheat acreage. This has fallen since 1918 and will, it is likely, be no greater than the pre-war acreage by 1922. British economic and political policy will continue to be built around the facts of food importation.

BRITISH PRODUCTION AND IMPORTS OF BREADSTUFFS
(*thousands of hundredweights*)

Year	Production	Imports	Total
1913.....	22,000	122,000	144,000
1914.....	25,726	113,980	139,706
1915.....	27,769	89,150	116,919
1916.....	31,626	109,967	141,593
1917.....	19,948	105,775	125,723
1918.....	20,947	80,910	101,857
1919.....	27,021	88,948	115,699
1920.....	21,000	116,000	137,000

Coal.

It is a commonplace of economic history that the coal supply of Great Britain has been the cornerstone of British industry. The coal mines not only supply the power for her industries and fuel for her navy, but coal is also an exceedingly valuable export cargo. Therefore figures of coal production are of the utmost interest.

PRODUCTION AND EXPORTS OF COAL
(*millions of tons*)

Year	Production	Foreign bunkers	Exports	Retained
(average) 1909-1913..	287	21	73	193
1914.......	266	19	59	188
1915.......	253	14	43	196
1916.......	256	13	38	205
1917.......	248	10	35	203
1918.......	228	9	32	187
1919.......	230	12	35	182
1920.......	229[1]	14	25	190

[1] Calculation of loss entailed by coal strike 14 million tons.

Production during the first ten weeks of this year was not higher than the 1920 level. It has fallen off greatly since before the war. This is more strikingly shown by the figures of individual output.

AVERAGE OUTPUT PER MAN

Year	Tons
1894-1898	286
1909-1913	257
1918	208
1919	193
1920	185

The causes of this decrease in output are controversial. As compared with much earlier figures, it must be attributed in no small measure to the exhaustion of the more easily worked veins and of those nearer the surface. Depreciation of coal mine equipment, especially

since 1914, and the run-down condition of the coal transport equipment are important factors also. Some part of it may be attributed to the reduction of the working day in 1912 and again in 1919. During the last few years the temper of the miners has, no doubt, played a most important part. The great majority of them desire some form of nationalization. They desire to reduce present mine profits as much as possible. On the other hand, the miners claim that the operators are deliberately curtailing production to maintain prices. Until some agreement is reached between the coal miners and the government as to policy, which will satisfy the miners that increased production will not mean increased profits, the outlook for production greater than at present will remain bad. Among future possibilities that of another strike is far from inconceivable. It will be noticed that the reduction in total production has been accompanied by a more than proportionate reduction of exports; though the value of coal exports was higher in 1920 than in 1913. The decrease in coal exports to the largest importing countries is as follows:

DECREASE IN COAL EXPORTS
(*thousands of tons*)

Country	1913	1920
Russia	5,998	92
Sweden	4,563	1,372
Germany	8,952	13
France	12,776	11,691
Italy	9,647	2,905
South America	6,892	556

Steel and iron.

As in all belligerent countries, the steel and iron producing plants were extended and improved during the war. The post-war production of Great Britain, as compared with 1913, has been as follows:

POST-WAR PRODUCTION OF STEEL AND IRON IN GREAT BRITAIN
(*thousands of tons*)

Year	Pig iron	Steel ingots and castings
1913	10,260	7,664
1918	9,086	9,530
1919	7,398	7,894
1920	8,000	9,055

It may be remarked that 1913 was the record pre-war year. The course of events since the armistice is revealed more clearly by the quarterly averages of production.

It will be seen that 1920 steel production was greater than the pre-

QUARTERLY AVERAGES OF PRODUCTION OF IRON AND STEEL
(*thousands of tons*)

Quarter	Pig iron	Steel
1919		
First	659	737
Second	658	685
Third	581	603
Fourth	568	607
1920		
First	670	798
Second	712	828
Third	743	794
Fourth	537	598

war production. The June, 1920, production of pig iron, 752 tons, and the September, 1920, production of steel, 884 tons, are records for the industry. Nevertheless, the immediate outlook for the industry is one which discourages easy optimism. The falling off in October and November was partly the result of the general depression and partly a consequence of the coal strike. The month of February, 1921, showed a very grave falling off, to the lowest point since the war ended. It should be remembered, however, that before the war, profits in the steel and iron industry frequently averaged 70 per cent. This is hardly the mark of a declining industry; and the physical capacity of the industry is now greater than it was in 1913.

Steel and iron-using industries.

No statistics of production are available for most branches of the engineering industry; in general the volume of exports for 1920 was well behind that of 1913. The question of time payment has been a much debated one throughout the year. The figures of exports in thousands of tons are as follows:

Year	Steel and Iron Manufactures thereof	Machinery	Locomotives
1913	5,000	747	58
1920	3,250	426	39

Far more complete figures are available for the shipbuilding industry. The British construction of new ships was greater in 1920 than before the war, though British supremacy in the world's shipbuilding was not as decided. In 1913 the United Kingdom turned out 58 per cent of the world's merchant shipping; in 1919, only 22.7 per cent; in 1920, 35 per cent.

The rise in construction came to a halt in the last quarter of 1920; likewise the amount of new tonnage commenced fell. It is estimated that at the end of 1920 there was 8 million more tons of merchant

TOTAL MERCHANT SHIPPING LAUNCHED IN THE UNITED KINGDOM

Year	Thousand tons
1913	1,900
1914	1,700
1918	1,325
1919	1,625
1920	2,005

RECORD OF TONNAGE UNDER CONSTRUCTION
(*thousands of tons*)

Date		Tonnage under construction	New tonnage commenced
June,	1913......	2,000	
"	1914......	1,722	
"	1916......	1,540	
"	1918......	1,805	
"	1919......	2,524	
December,	"	2,994	604
March,	1920......	3,394	708
June,	"	3,578	587
September,	"	3,731	593
December,	"	3,708	506

shipping in the world than in 1913. That fact makes confident prediction for the near future impossible. Due to the present depression, it is likely that the construction for 1921 will be considerably below that of 1920.

Textile industries.

The textile industries, along with the boot and shoe and clothing industries, have felt the depression most severely. The Master's Federation in the cotton industry, by ballot, have been restricting production to three days a week in the Egyptian section and to four days a week in the American section. The industry was, of course, thoroughly busy during the war. The fall in the price of raw cotton and the break in Far Eastern exchange had a decided effect upon its exports; towards the end of 1920, 50 per cent of the looms were idle, and unemployment was rampant. Nevertheless, the year 1920 as a whole showed exports in considerable excess of 1918 and 1919.

EXPORTS OF COTTON PIECE GOODS AND COTTON YARN
(*000 omitted throughout*)

Year	Cotton piece goods		Cotton yarns	
	Yards	Value	Pounds	Value
1913.....	7,075,252	£97,775	210,099	£15,006
1919.....	3,523,660	179,073	162,616	33,908
1920.....	4,436,557 (sq. yds.)	315,733	147,542	47,825

The exports of the cotton industry in 1920 formed 26 per cent of the

total of British exports in value. The volume of exports to the United States was the greatest in the history of the industry; the exports to the Far East were much behind pre-war shipments.

In the woolen industry the end of the year was most disappointing, being marked by considerable losses. Raw wool prices fell to less than half those of March. This fall in price, however, was expected to lead to a growth of orders in 1921.

EXPORTS OF WOOLEN CLOTH AND YARNS

Year	Woolen tissues (million yards)	Worsted tissues (million yards)	Woolen, worsted, alpaca, and mohair yarns (million pounds)
1913.....	105.8	62.4	67.1
1919.....	131.1	33.7	26.0
1920.....	187.2 (sq. yds.)	77.3 (sq. yds.)	28.8

The value of the 1920 exports of woolen cloth was five times their value in 1913. The Continent, particularly Germany, was an important customer for woolen and worsted yarns before the war. That is the chief explanation of the decrease in the volume exported.

Miscellaneous industries.

The volume of export for certain important miscellaneous industries, for which figures are available, is as follows:

VOLUME OF EXPORTS

Year	Pottery industry (pounds)	Boots and shoes (dozen pairs)[1]	Cement industry (cwts.)
1913.....	3,744,870	1,584,000	747,736
1919.....	....	650,000	385,526
1920.....	3,740,754	1,141,000	620,411

[1] First eleven months of the year.

On the basis of the figures of production so far considered—and their trend is the same as that revealed by the figures of foreign trade—few absolutely safe generalizations can be made. Industrial activity seems to have been greatest and recovery most direct in these industries upon which war placed a great pressure—the steel and iron, shipbuilding, and textile industries. They too, however, have been affected by the depression which set in at the end of 1920 and still holds at the present. The discouragement of that period can be attributed, in no small measure, to the continued industrial uncertainty on the Continent and to the fall in Far Eastern exchange. But the depression in England was, above all, the mark of the beginning of an attempt at deflation and readjustment that occurred almost simultaneously in Great

Britain, Japan, the United States, and other countries. The reaction was sharp but possibly salutary to British industry. The fall in the price of raw materials and foodstuffs should lead to a fall in the expenses of production and to renewed purchasing if political events turn out favorably. The official obstacles to trade with Russia have now been removed. On the other hand, British industry must look forward to a more strenuous competition in world markets on the part of France and Germany than at present.

The physical capacity of British industry to produce as much in 1921 as in 1913 few doubt; though except in the early months of 1920 the machinery of production has never been set at full speed ahead. The volume of production in most industries was below that of 1913. It has been argued in some quarters that this is an indication of a permanent lowering of the level of production. The situation in the coal industry has been reviewed. The general manager of the Caledonian Railroad has stated that, though the volume of traffic carried in 1920 was smaller than in 1913 (367 million tons in 1913, 330 million tons in 1920), 30 per cent more railway employees were needed. Lord Weir has been loud in his charges of restriction of output in the engineering industries.

It is impossible to disentangle clearly the causes of the falling off in the level of production—even where such a falling off is evident. Lack of markets has certainly been the chief factor in the decrease in production during the last six months. Much is heard of the run-down condition of the railroads. Much short time was worked as a matter of deliberate policy during the depression.

Hours of labor have been shortened in many industries since 1913, with results impossible to trace. The growth of rings and agreements to regulate price and production has gone on steadily. The attitude of the workers in the matter of production is, finally, of consequence. Questions of employment and industrial control, even political questions, color that. Large numbers of the workers are alienated from the system under which they work. The coöperation of the trade unions will be essential to industrial recovery; the realm of practical compromise is being constantly explored. At a later point in this article the labor situation will be further considered.

Exports, imports, and the trade balance.

From the facts of production we may now turn to those of foreign trade. First, it is interesting to observe the trend of capital investment as compared with the pre-war trend. The figures of new capital issues published by the London Joint City and Midland Bank are as follows:

NEW CAPITAL ISSUES
(*thousands of pounds*)

Date	Home	Abroad	Total	Per cent abroad
1913	44,600	197,500	242,100	82
1918	40,267	25,063	65,330	39
1919	187,700	49,900	237,600	21
1920 Total.....	330,600	53,200	383,800	15
" Quarter:				
First ..	127,000	20,000	147,000	4
Second .	88,000	6,000	94,000	7
Third ..	63,200	10,000	73,200	14
Fourth..	52,400	17,200	69,600	25

The figures indicate a marked turning away from foreign investment, which, however, is probably only temporary. When allowance is made for the inflation of values it will be seen that there was in 1920 considerably less investment than in 1913. These figures are not an altogether reliable guide, however, as the use of stock dividends has been increasing. Finally, the falling off of investment toward the end of 1920 is to be noticed.

The shipping entrances and clearances into the ports of the United Kingdom are a good index of the volume of foreign trade.

SHIPPING ENTRANCES AND CLEARANCES INTO THE PORTS OF THE UNITED KINGDOM
(*thousands of tons*)

Quarter	Entered with cargo		Cleared with cargo	
	1913	1920	1913	1920
First	10,877	7,955	15,752	9,517
Second	12,256	8,902	17,143	8,689
Third	13,296	10,199	17,487	9,321
Fourth	12,634	9,461	17,436	9,062
	49,063	36,517	67,818	36,589

The traffic for 1913 was greater than that of 1920. In that year, the excess of outgoing tonnage was marked. In 1913, entrances represented only 72 per cent of clearances; in 1920, they almost balanced. This change was due largely to reduction of coal exports.

Only the most important figures of the balance of merchandise exports and imports can be given. The following figures give the course of recent events:

MERCHANDISE BALANCE
(*millions of pounds*)

Year	Imports	Reëxports	Net imports	Exports (British goods)	Excess imports
1913....	769	110	659	525	134
1918....	1316	31	1285	501	784
1919....	1632	165	1467	798	669
1920....	1936	222	1714	1336	378

The steady increase in the volume of exports of British goods is to be noted; also the steady reduction in the excess of imports. The present position shows a marked improvement over 1918, accomplished under most difficult circumstances. Some allowance must be made, it is true, for changes of value since 1918. The present situation is more clearly revealed by the following tables which express the foreign trade of 1920 in terms of the pre-war values of 1913. For better understanding, commodities are divided into three classes: (1) food, drink, and tobacco; (2) raw materials and articles mainly unmanufactured; (3) articles mainly manufactured.

FOREIGN TRADE OF 1920 IN TERMS OF 1913 VALUES
(*millions of pounds*)

Commodities	Imports retained		Exports, United Kingdom production	
	1913	1920	1913	1920
I. Food, drink, tobacco, etc..	**279**	**241**	**34**	**19**
II. Raw materials, etc, of which:	**206**	**195**	**66**	**32**
A. Coal	—	—	51	17
B. Raw cotton	61	53	—	1
C. Non-ferrous ores.......	12	8	—	—
III. Articles wholly or mainly manufactured, of which:	**172**	**144**	**414**	**316**
A. Iron, steel, and manufactures thereof	16	7	55	40
B. Non-ferrous metals and manufactures thereof..	211	18	121	15
C. Hardware, cutlery, etc.	5	3	7	5
D. Machinery	6	6	34	23
E. Cotton yarn and manufactures thereof	7	1	126	87
F. Woolen and worsted yarns and manufactures	9	4	36	34
G. Vehicles	5	22	26	23
Total, all classes..............	**657**	**580**	**514**	**367**

These figures show that, calculated on the basis of 1913 values, the imports retained were 12 per cent less in 1920 than in 1913 and the exports of United Kingdom products were about 36 per cent less. During the first two months of 1921, moreover, a very substantial falling off in the overseas trade, as compared with 1920 took place, due to the continuance and development of the trade depression. The recovery of the 1913 position is as yet not implied in the course of events. The difference in coal exports is an important element in the situation.

There has been a tendency since the armistice for foreign trade to swing back to pre-war channels—a greatly obstructed tendency, it is true. The near markets, with the exception of Russia, Germany and her allies, have been receiving a much larger share of British exports

than in 1913. The proportion has been falling, however. The following figures of percentages of exports give the drift.

PERCENTAGES OF EXPORTS TO DIFFERENT MARKETS

Markets	Year ending 1913	Third quarter 1919	Fourth quarter 1919	First quarter 1920	Second quarter 1920
1. Central and West Europe:					
a. Neutrals	9.7	20.5	18.1	16.2	13.5
b. Enemy	8.6	3.0	2.5	1.8	2.0
c. Allied, excluding Russia....	11.1	28.3	23.5	22.8	17.4
2. European Fringe, South and Southeast	5.7	8.3	11.9	9.9	9.4
3. India and Ceylon	14.2	8.6	10.7	12.4	14.5
4. Far East	9.7	7.1	8.3	7.7	10.7
5. Australasia ...	8.7	3.8	3.8	4.5	6.0
6. Africa	7.0	4.5	5.0	6.4	6.9
7. United States..	5.6	4.9	5.1	7.1	6.2
8. South America.	11.3	6.6	6.5	7.5	8.4

One outstanding feature of the situation is the heavy buying from and light selling to the United States. The resumption of trade with Germany has been tardy. Russian trade has been at an end.

It is possible to calculate with considerable accuracy the trade balance for the United Kingdom in 1920. The excess of merchandise imports was 378 million pounds. Taking the official calculations for the other items, as given in the *Board of Trade Journal* in January, 1921, the balance is as follows:

	Million pounds
Coin and bullion excess exports	43
Net income from investments	120
Shipping earnings	340
Banking, insurance, and other sources	40
	543
Excess merchandise imports	378
General balance	165

It must be remembered that Great Britain paid no interest on her American debt, nor received any on her external loans. This is the first time since 1913 that a favorable balance has been established.

The exchanges.

Having these data before us there is no need of going into detail in regard to the foreign exchanges. The dollar-pound exchange rates stand by themselves; they reflect not only the English situation, but also the adverse balance of the whole continent. The discount on the pound rose to its highest point (33 per cent) in November, 1920, but

has sunk to 21 per cent in February, 1921. The neutral exchanges have moved irregularly, somewhat in favor of Great Britain. The currencies of the European, allied, and enemy countries have steadily declined in terms of the pound. The following figures give the situation:

FOREIGN CURRENCIES IN TERMS OF THE POUND

Countries	Par	Nov. 11, 1918	Dec. 31, 1919	Aug. 20, 1920	Feb. 11, 1921
I. Neutral:					
Amsterdam	12 Fl. 10	11.46	10.13	10.38	11.34
Madrid	25 p. 22 c.	25.03	19.68	26.10	27.65
Berne	25 fr. 22 c.	22.03	21.12	21.15	22.40
Christiania	18 Kr. 16	25.65	19.80	24.10	21.37
Stockholm	18 Kr. 16	17.90	18.60	17.50	17.44
Copenhagen	18 Kr. 16	25.35	17.60	24.50	20.76
Buenos Ayres...	47 d. 58	——	62.50	——	49.50
II. Allied and enemy:					
France	25 fr. 22 c.		41.09	50.48	54.55
Italy	24 l. 22 c.		50.12	74.20	106.25
Belgium	25 fr. 22 c.		40.40	47.90	51.50
Athens	25 ch. 22 c.		25.62	31.40	54.25
Germany	20 M. 43 Pf.		187.	151.	230.
Vienna	24 Kr. 02		655.	——	——
III. Far Eastern:[1]					
Madras	2s		2/4	1-	1/4
Yokohoma	2s ½d		2/8 ¼	2/7	2/3

[1] The pound in terms of foreign currency.

The financial situation.

Within the scope of this study it is not possible to review the British financial situation adequately. It is necessary, however, to glance at certain aspects of it in order to estimate the industrial situation: first and foremost, the balance of income and expenditure.

The income and expenditures for the financial year 1919-1920 were as follows (in million pounds):

Revenue	1,339
Expenditure	1,665
Deficit	326

The estimates for the financial year 1920-1921 were as follows:

Revenue	1,418
Expenditure	1,184
Estimated balance	234

Several features of these estimates deserve comment. First, the revenue includes 311 million of special receipts, as from the sale of supplies. Second, the expenditure includes 345 million of debt charges. Third, up to the present the estimates have been reasonably well substantiated. A summary of the year's finance, from April 1, 1920, to March 19, 1921, shows in millions of pounds:

Total spent	1086	Raised by revenue	1330
December, in balances ..	7	Net repayment	251
Total	1079	**Total**	1079

For the first time since 1913 the income in 1920 equaled the expenditure. The total national debt rose from 711 millions on August 1, 1914, to 8,079 millions in December, 1919. It has been reduced since by about 200 millions, standing at 7,817 millions on January 15, 1921. The floating debt, however, has continued to increase; it stood at 1,464 millions at the time of the armistice, fell to 1,279 millions, and on January 15, 1921, stood at 1,570 millions. Great Britain is in a position to tackle, though only in a small way, the task of debt reduction. Progress in that direction will depend, of course, upon a continuance of heavy taxation. The question of interest on foreign loans is as yet unsettled. Some reduction in expenditure is to be expected, beginning with 1922, but unforseeable demands on the treasury may always arise.

The discussion of deflation has centered largely on the currency note issues. The Bank act of 1844 was not suspended during the war. But the circulating currency was swelled by the issue of notes and certificates, under the Currency and Banknote act of 1914. This new form of currency is in one pound and ten shilling denominations. It figures in the same way as Bank of England notes on the balance sheet of the Bank of England. It is counted as part of the reserve of other banking institutions, and has thus made possible an increase of loan and deposit currency. The treasury holds 28.5 millions in gold as special reserve against this currency note issue. The note circulation in the United Kingdom is as follows (in millions of pounds):

	Dec., 1913	Dec., 1918	Dec., 1919	Nov., 1920	Jan. 12, 1921
Bank of England notes	29.6	79.2	87.4	128.4	129.8
Currency notes and certificates ...	——	323.	356.	355.	350.

The volume of currency notes has not increased during the past year.

Any policy of deflation must be most carefully mapped out because of its possible effect upon industrial activity. The first step—a balance of revenue and expenditure and a consequent stoppage of government borrowing—seems to have been successfully accomplished. It will only be possible to hold that balance, however, if the many difficulties of foreign and domestic politics are surmounted without too great strain. Prices have begun to decline. That should make it possible to lay down a consistent treasury policy, provided the present depression does not become more serious, due to upsetting political or economic events. The estimate made by Professor Davis last fall still

applies. He wrote: "On the whole, the British are succeeding moderately in checking credit and currency expansion, and in reducing the public debt and are in a position to take advantage of favorable opportunities for moderate contraction, but the situation is still critical."[1]

Prices.

The movement of wholesale prices, has been as follows:

WHOLESALE PRICES[1]

End of	Cereals and meats	Other foods	Textiles	Minerals	Miscel- laneous	Total
Nov., 1918..	100	100	100	100	100	*100*
Mar., 1919..	100	100	81	94	93	*92*
Sept., " ..	108	104	107	116	97	*106*
Mar., 1920..	117	116	161	138	123	*134*
Sept., " ..	117	119	128	145	110	*123*
Nov., " ..	115	111	89	139	96	*106*
Dec., " ..	104	103	69	134	92	*95*
Feb., 1921..	91	90	56	116	82	*83*

1 *The Economist* index number.

The cost of living index number of the *Labor Gazette* gives the percentage increase over 1914. It includes food, clothing, fuel, light, rent, etc.

January,	1920	—125
April,	"	—132
July,	"	—152
November,	"	—176
December,	"	—169
January,	1921	—165
February,	"	—151
March	"	—141

The index number of wholesale prices indicates a decided decline since May, 1920, especially in textile and secondary food products. The cost of living figure rose up to November, 1920; but a decline seems to have definitely begun. It is on this figure that the wage-earners have centered their interest.

The labor situation.

The course of industrial recovery will be gravely affected by the outcome of the labor difficulties that are pressing for attention.

From the armistice until the autumn of 1920, employment was steadier than before the war. Wages in general kept advancing in accordance with the rise in the cost of living. Three serious strikes occurred after the armistice: the railway strike and the moulders' strike over wages, the coal strike, in reality as an incident in the revolt of the miners against private profit in the coal industry. The question of unemployment is now at the forefront. With the depression, the pro-

1 *The Review of Economic Statistics,* August, 1920, p. 229.

test against unemployment became clamorous. The figures of unemployment in the organized trades reporting to the Registrar are as follows: They apply to a membership of about a million and a half.

Year	Per cent unemployed	Year	Per cent unemployed
1913	2.1	Jan., 1920	2.9
1914	2.3	May, "	1.1
1915	2.1	Sept., "	2.2
1916	0.4	Oct., "	5.3[1]
1917	0.6	Nov., "	3.7
1918	0.8	Dec., "	6.0
Jan., 1919	2.4	Jan., 1921	6.9
May, "	2.1	Feb., "	8.5
Sept., "	1.6		

[1] Coal industry not included.

These last months, besides, have been marked by a wide extension of short-time work. In February the percentage of unemployed was greater than at any date since the winter of 1908-1909. The new Unemployment Insurance act greatly extended the sphere of insurance; it now applies to 12 million workers, it is estimated. The weekly payment for men was increased to 15 shillings (6 shilling pre-war values). The *Labor Report on Unemployment* contains a demand for 40 shillings for married men and 25 shillings for single men. Unemployment has risen to the dimensions of a calamity; it is by no means certain it will not increase.

It is at this time too that the first organized effort to effect a general wage reduction has started. The employers' association contend for a reduction on two grounds. First, because the cost of living has shown signs of a decline. Second, on the ground that a radical reduction in expenses is essential to meet the competition of the Continent—to get orders to keep industry going. So far, the leaders of organized labor have opposed these contentions. The following statement by the Rt. Hon. J. R. Clynes, M.P., is representative of the attitude of the more moderate elements in the trade union movement. He said:

> I do not hesitate to say that Labor will reject any proposal for a general reduction in wages with the object of securing a reduction in prices. Wage reductions may be reached in certain individual cases by mutual agreement between representatives of the workers and employers but as a matter of general policy, organizations acting either through national bodies or through responsible executives will not agree to reduction. . . . Much could be said for a joint movement to reduce profits, high salaries and high wages at the same time.

He suggests the joint industrial councils, with full command of the facts, as the best agents for any such policy.

There can be little doubt that up to the end of 1920 industrial profits were high. The weekly profit and loss account of the *Economist* for

over three hundred large enterprises, showed an average increase of profits in 1920 over 1919 of 32.6 per cent. These figures, however, do not reflect the severe depression; and the taxation of industrial profits has been very heavy.

English labor will fight before it will accept a reduction of its standard of living to the pre-war standard. Throughout its ranks there is a conviction that the pre-war distribution of wealth was unjust; to enforce that conviction its policy will probably be opportunistic. In the coal mines and on the railways, any negotiations for reduction would probably resolve themselves into demands for some form of state control. A continuance through the summer of the present depression with its accompanying unemployment will impel wage reduction, in order to make further reduction of export prices possible. In that event, unless the employers deal with the trade unions with great candor and fairness, and accept a reduction of profits, serious industrial conflicts would almost certainly arise. If the depression ends—and the settlement of the indemnity question will be a factor of no mean importance in determining whether it does end—the necessity for immediate wage reduction will be avoided. If then, in the succeeding months, the cost of living continues to fall, wage adjustment downward will be far more easily accomplished than otherwise. The fact that the cost of living has fallen decidedly during the first months of 1921 is the single really encouraging factor in the situation; for few doubt that ultimately the war level of money wages must be reduced.

Behind this phase of the question of wage reduction stand the treasury problems. The treasury stands ready to avail itself of any advantageous opportunity to reduce the floating debt and the currency note circulation. But, even with a favorable fiscal balance, it is not likely to take the initiative in deflation. The price declines will have to come either through an increase in the productiveness of industry or from a fall in the price of imported foodstuffs and raw materials; or from the force of foreign competition with a decrease in profits or wages or both. The signs point to some price decline due to these factors—indeed, it has already begun. How far it will go, whether it will be sporadic or regular, it is impossible to predict. The agreement and coöperation of the trade unions in the policy of deflation will be essential for it is not likely that prices will fall sufficiently to enable the treasury to establish a gold standard, unless wages are eventually reduced. And since the question of wage reduction is such a thorny one, and the question of unemployment is so acute, the present government will find its march back to the gold standard no easy one. It is conceivable that it will have to await the accession of a labor government. But here it is necessary to rein in speculation.

Since this article was written, the government has acted upon its decision to end the financial control of the coal industry. The coal miners have gone on strike. Up to the present, negotiation between the government, the owners, and the miners has not succeeded in bringing about an agreement upon two issues: first, the miners have demanded that wages be determined on a national basis, that is, that there should be a national scale of wages, such as is now in existence; second, that the profits of coal mining throughout the country should be put into one national pool; by means of which the poorer mines should be enabled to pay the general scale of wages, and some standard scheme of profits could be enforced. The demands of the miners are not prompted primarily by the desire to advance any general program of industrial change. The question of nationalization is at present in the background. The miners' stand is, in reality, against extensive profit making in the coal industry.

Failing some agreement (probably compromise) with a short time a strike by the railwaymen and transport workers—the other members of the Triple Alliance—may follow. A strike of the Triple Alliance would shortly bring about a tie-up in British industry; the government could do more than perform emergency services. By such a strike all parties would stand to suffer more than they can hope to secure in the way of immediate gain from victory. The issue, however, is not conceived of in terms of immediate gain. The strike may take place. If it does, the smallest possible effect will be to set back British industrial recovery some weeks or months; its conceivable consequences are vastly greater.

Unexpected purposes and forces are likely to come to light in times of crisis; and original aims undergo transformation. But the habit of the great majority of the English people to seek out facts, and to guide their actions by facts, along with a deep underlying feeling, which exists despite all, that the sudden wreck of the present industrial structure is not to be thought of—these may be expected to produce a compromise.[2]

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[2] Practically all the statistics quoted in this article are taken from files of *The London Times, Board of Trade Journal, Economist, Statist, Labour Gazette,* or *Statistical Publications of the Supreme Economic Council.*